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PR12:38

For Immediate Release:

10/22/2012

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Controller Chiang, Insurance Commissioner Jones Announce Settlement With AIG Insurance

Company to pay California Life Insurance Beneficiaries an Estimated \$25 Million to \$30 Million

SACRAMENTO – State Controller John Chiang and Insurance Commissioner Dave Jones today announced two multi-state settlements with AIG Insurance Company that require the company to pay an estimated \$25 million to \$30 million owed to California beneficiaries of life insurance policies, and an \$11 million settlement payment.

Controller Chiang began auditing insurance company practices in 2008, revealing an industry-wide practice of companies failing to pay death benefits to the beneficiaries of life insurance policies, despite having access to federal records indicating that policyholders had died, or direct confirmation from relatives of the deceased. Instead, some companies would continue collecting premium payments from the deceased by drawing down the policies' cash reserves. Once the cash reserves were depleted, the company would cancel the policy.

"For decades, too many insurers have fleeced their policyholders," said Chiang. "But by vigorously enforcing California's unclaimed property laws – on the books since 1959 – we are protecting consumers by pushing the insurance industry to fully honor their payment obligations."

Under the [agreement](#) with unclaimed property officials, AIG will pay an estimated \$25 million to \$30 million on an estimated 10,000 policies that are past due in California. Under the second multistate agreement with insurance regulators, AIG has agreed to business reforms that will ensure that it rapidly pays out life insurance, annuity, and retained asset account benefits. It has also agreed to pay a total of \$11 million to the states participating in the settlement. California's share is expected to be more than \$1 million.

"I want to acknowledge AIG's cooperation in resolving this matter with insurance regulators," said Commissioner Jones. "This settlement is a victory for consumers. Importantly, this action represents another step in our unwavering commitment to reform industry practices and ends a process that denied payments to the beneficiaries of deceased policyholders."

Today's settlement agreement with insurance regulators requires AIG to regularly to check the Social Security Administration's Death Master File to determine whether any of its life insurance policyholders, owners of annuities, and holders of retained asset accounts have died. If AIG finds that a policyholder has died, the agreement requires it to conduct a thorough search for beneficiaries, using all contact information in its

records and online search and locator tools. If beneficiaries cannot be located, AIG must turn the proceeds owed to beneficiaries over to the states as required by state unclaimed property laws.

Unclaimed property laws are in place to protect private property from being drawn down by service or storage fees, lost during mergers or bankruptcies, or hoarded unlawfully by the business to use for its own purposes. Administered by the Controller, the California unclaimed property program generally provides that businesses send financial property and accounts to the State after three years of inactivity. The Controller maintains an unclaimed property database accessible by any California resident to identify all unclaimed property the State has collected on their behalf. The database is available at www.claimit.ca.gov.

Since the Controller's audits began, AIG is the sixth insurance company to settle with the State, resulting in approximately \$138 million being returned to California beneficiaries. To read more about the Controller's efforts, [click here](#).

Today's settlement with unclaimed property officials requires AIG and its subsidiaries to do the following:

- Restore the full value of impacted accounts;
- Fully comply with California's unclaimed property laws and cooperate with the Controller's efforts to reunite millions of dollars in death benefits and matured annuities and other policies with their owners or, in many cases, the owners' heirs;
- Use the date of death as reflected in the Social Security Administration's Death Master File to establish the start of the three-year unclaimed property dormancy period.
- Pay the State of California three percent compounded interest on the value of the held amounts from 1995, or from the date of the owner's death, whichever is later, for failure to comply with unclaimed property laws.

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